Statement of the U.S. Chamber of Commerce

ON: EXAMINING THE STIMULATIVE EFFECTS OF INFRASTRUCTURE INVESTMENT ON THE U.S. ECONOMY AND THE NEED FOR ADDITIONAL INVESTMENT

TO: THE U.S. HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

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DATE: JANUARY 22, 2009

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business—manufacturing, retailing, services, construction, wholesaling, and finance—is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 96 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Testimony of Thomas J. Donohue

President and Chief Executive Officer

U.S. Chamber of Commerce

January 22, 2009

Before the U.S. House Committee on Transportation & Infrastructure

Introduction

Mr. Chairman, Mr. Ranking Member, and distinguished members of the House Transportation and Infrastructure committee, thank you very much for the opportunity to testify about why transportation infrastructure investment should be a key part of federal legislation to stimulate economic activity and spur job growth during these challenging economic times.

My name is Tom Donohue, and I am the President and CEO of the U.S. Chamber of Commerce. The U.S. Chamber of Commerce is the world's largest business federation representing more than three million businesses and organizations of every size, sector and region.

The U.S. economy, which is already in recession, continues to be buffeted by the unwinding of the housing market, a severe liquidity crisis, and a general economic deleveraging. The already weak economy threatens to slow further, making credit even less accessible to Main Street businesses. This downturn has already lasted longer and run much deeper than either of the two previous economic downturns.

While the stimulus bill enacted early last year focused on increasing consumption and investment, Congress needs to take additional action to provide stimulus to the economy and address the severe negative effects that the economic downturn has had on specific sectors and industries, such as housing, infrastructure, retail, real estate, broadband, and travel.

If done right, targeted investment in transportation infrastructure is one such effort that can help specific sectors of the economy recover in the short term and bolster the health of the broader economy in the long term. It is vitally important, however, that long-term infrastructure planning be incorporated into the economic recovery agenda to ensure these short-term investments and resulting job creation are sustainable and that our economy remains competitive in a global economy.

Current Employment Conditions

Two weeks ago, the Labor Department reported that another 524,000 jobs were lost during the month of December, increasing the unemployment rate to 7.2 percent and increasing the total job losses for last year to 2.6 million – its highest rate since January 1993 – bringing the total number of unemployed Americans to 11.1 million.

The job losses were widespread: 101,000 in construction, 149,000 in manufacturing, 113,000 in professional and business services, and 67,000 in retailing. For the construction industry, unemployment is now 15.3 percent; the December losses marked the 18th consecutive month with significant job loss in the construction industry. In all, 864,000 construction jobs have been lost since the start of 2007.

What This Recession Means for Transportation Investment

As the construction sector takes a hit, so do the vital projects it produces that keep the U.S. economy running smoothly. Shrinking state budgets and the tightening credit market are leaving many planned projects without direct funding or financing. According to Municipal Market Advisors, a consulting firm that specializes in municipal bonds, $100 billion of new infrastructure projects have been delayed because of the constricted credit markets. Without these dollars, many states and localities are simply cancelling efforts, forcing many needed investments to wait for sunnier economic times. For example, the Metropolitan Washington Airports Authority recently scrapped a planned bond offering to pay for terminal expansion and parking garages already under construction at Dulles and Reagan National Airports, the State of Maine has been unable to raise $50 million for highway repairs, and in California, $1.8 billion worth of work in progress is in danger of being suspended because of that state's cash flow problems.

The economic crisis has affected transportation planning and investment in other ways as well. For example, transit financing deals reached between 1988 and 2003 have been caught up in AIG's collapse and are at risk of default, exposing transit agencies serving 25 metropolitan districts in 17 states to financial collapse.

Unfortunately, this freeze in infrastructure efforts could not come at a worse time. For far too long, the United States has failed to make infrastructure a priority, relying on the investments Americans made over 50 years ago to move our nation, and our systems are deteriorating rapidly. Our lack of attention to these issues has real ramifications for America's competitiveness and economic health. The U.S. economy has been the most competitive in the world because of its capacity for innovation, higher education system, market size, corporate ingenuity, fluid capital markets and transportation network. These advantages have allowed U.S. industries to take a leading role in the global economy providing products and services demanded worldwide. Transportation has been the foundation of this success, but it is now becoming our Achilles heel.

The U.S. network of transportation infrastructure – the highways, bridges, public transportation systems, airports and air traffic control system, rail, inland waterways and ports – have become woefully inadequate to support the 21st century economy and the American way of life. As Mike Eskew, former Chairman and CEO of UPS, recently noted, "While commuters can feel the personal assault of traffic jams and flight delays, many do not appreciate how congestion affects the movement of the nation's freight, and how an over-stressed infrastructure slows delivery times, creates unpredictability in supply chains and ultimately makes U.S. businesses less competitive and consumer goods more expensive."

The U.S. aviation system is currently facing a capacity crisis and roughly one-third of the nation's major roads are in poor or mediocre condition. U.S. transit systems earned a D+ rating from the American Society of Civil Engineers while public transportation ridership is at its highest level in 50 years, with 10.3 billion trips in 2007. The aging inland waterway lock and dam system is affecting system capacity and reliability – of the 257 locks on the more than 12,000 miles of inland waterways operated by the U.S. Army Corps of Engineers, nearly 50 percent are functionally obsolete. By 2020, that number will increase to 80 percent. Ports need to accommodate a near doubling of cargo volumes by 2020, with some ports facing a tripling or quadrupling of container volumes moving across their piers.

A decaying surface transportation system costs the U.S. economy $78 billion annually in lost time and fuel. Approximately 42,000 people are killed each year on the nation's highways with an estimated 15,000 traffic deaths occurring where substandard road conditions were a factor. The economic cost of vehicle crashes annually is more than $230 billion dollars. By 2050, congestion costs could represent 14 percent of national GDP, up from 1.5 percent of GDP in 2003. Americans in urban areas wasted 2.9 billion gallons of fuel, enough to fill 58 supertankers in 2005. As congestion grows, thousands of tons of pollution are pumped into the air every day.

All the while America's global competitors surpass our efforts by leaps and bounds, threatening to leave us in the dust. Decades ago the United States built the best infrastructure the world had ever known and proceeded to take it for granted. We have allowed governments at all levels to pile on complex and overlapping regulations, making it exceedingly time-consuming to build or improve America's infrastructure. Americans have learned to live with sub par performance because the deterioration has been so slow, like a trickle from a pinprick hole in a dam … roads have slowly gotten more congested … potholes have proliferated … commute times have expanded …flight delays have become more frequent … the power goes out a little more frequently. As Thomas Friedman recently noted in one of his columns, landing at Kennedy Airport from Hong Kong is like going from the Jetsons to the Flintstones.

As you consider elements to include in a recovery package, the macroeconomic benefits of infrastructure investment should be considered. Fundamentally, the business community depends on a safe and reliable transportation system to remain competitive and efficient. America's transportation system is literally the foundation of the economy. Without question, current investment levels and planning are not keeping pace with systemic needs.

Transportation Infrastructure Investment in an Economic Recovery Package

Transportation infrastructure plays a critical role supporting the America's economy. Targeted infrastructure investment would help create jobs in the short-term and provide long-term economic benefits by helping improve the movement of people and goods. The Chamber fully supports the incorporation of targeted infrastructure investment in an economy recovery package.

Investment in infrastructure has demonstrated clear economic benefits. Jobs stemming from these efforts are not simply confined to the boots on the ground – infrastructure projects require materials, heavy equipment, and basic services provided through surrounding communities, which lead to growth in other key economic sectors. Each dollar invested in highway construction generates $1.80 of Gross Domestic Product in the short term, according to Standard & Poor's DRI and every dollar taxpayers invest in public transportation generates about $6 in economic returns, reports Cambridge Systematics. According to the Department of Transportation, each $1 billion in federal highway investment accompanied by the state match supports 34,779 jobs.

In addition to Chamber members such as the American Public Transportation Association and the American Association of State Highway and Transportation Officials, numerous organizations have developed lists of "ready-to-go projects" that could be under contract within 180 days from enactment of federal economic stimulus legislation. While it is not appropriate for the Chamber to verify these lists, there are clearly an abundance of highway, transit, aviation, and water projects that could be initiated quickly and generate jobs. To ensure that infrastructure money is spent out quickly, Congress should adjust the current highway language to encourage a faster-than-normal obligation rate.

While the Chamber supports federal spending on an array of near-term infrastructure efforts, Congress and the Obama administration must ensure the accountability and transparency of these efforts. If Congress and the administration do not take the necessary steps to ensure this money is spent where it is most needed, there is a real chance this effort could fail and billions of taxpayer dollars could be wasted. If the stimulus package takes the form of bridges to nowhere, a result could be statistical economic expansion with little increase in economic well-being. To ensure these funds have the desired maximum impact without slowing the process down, Congress should impose some basic cost-benefit requirements and ensure transparency like those included in the House Recovery Package released last week.

Even More Bang for Each Taxpayer Buck

In addition to enthusiastically backing the inclusion of publicly funded shovel-ready infrastructure projects a key component of economic stimulus and recovery, the Chamber believes we can multiply the job-creating impact of public investments in infrastructure with private sector investments.

According to the *Public Works Financing* (November 2008), there are about $19 billion worth of road, rail, and port projects where private developers have been selected or are about to be selected. These projects are at risk of being delayed due to the ongoing credit market crisis. In the context of the economic recovery and stimulus package, simple steps such as lifting or eliminating the caps on private activity bonds for airport, water, and highway projects and exempting public purpose debt from the Alternative Minimum Tax (AMT) would make these securities more marketable and would spur private investment in infrastructure, supporting job growth.

Congress should also consider proposals such as the National Infrastructure Bank put forth by Senators Dodd and Hagel last year and Build America Bonds legislation authored by Senators Wyden and Thune as innovative ways to attract increased private investment in major infrastructure projects. Both of these concepts could be constructed to give state and local governments incentives to develop projects that draw on both public and private investment.

Beyond the economic recovery package, there is an extraordinary opportunity to unlock years of private sector infrastructure investment by embarking on a common-sense plan to remove legal, regulatory, and legislative impediments that now stand in the way. This can be done while fully protecting the public's health and safety and improving the environment.

The private sector can provide vital capital if Congress and the administration make facilitating private investment a priority. The private sector is already responsible for most of the investments in American infrastructure. For example:

- More than 80 percent of America's energy infrastructure is owned and managed by the private sector, including dams, pipelines, the electricity grid, transmission lines, and power generation.

- Nearly all of broadband infrastructure is privately owned and operated.

- Approximately half of America's drinking water systems and an estimated 20 percent of the wastewater systems are privately owned.

- Freight railroads are businesses, and the private sector also participates in providing other transportation infrastructure including roads, ports and inland waterways, airports, and public transit systems.

- Businesses are also key players in the development and application of alternative, clean energy technologies and efficiency measures and thus, will be critical to achieving a vision of a green economy.

In order to build on the private sector's already substantial role in infrastructure, there must be a concerted effort to reform and modernize the rules and procedures that impact project development, finance, and execution. Quite simply, it takes too long to build things in this country. The Chamber's policy experts are preparing a short paper that will outline specific steps that can be taken to spur private infrastructure investment over the long term and will send this material to you and your staff when it is ready. It supports the important ongoing agendas of this Committee, including sustained investment in infrastructure and environmental protection that will persevere long after the economic recovery and stimulus package is signed into law.

Following Through: Addressing Long-Term Investment and Planning Issues

While transportation investment is uniquely positioned to support short-term economic recovery through job creation, it is imperative the federal government also look to infrastructure planning and investment as a way to facilitate long-term economic recovery and competiveness. If Congress and the administration simply stop with these preliminary efforts and avoid tackling larger federal program and revenue issues through major reauthorization legislation, these early efforts will be greatly diminished in their efficacy. Jobs and economic activity created through an economic recovery package will not be sustainable if the government does not address the oncoming highway and public transportation revenue crisis, for example. We have a full infrastructure agenda that should be viewed as an opportunity to drive economic recovery and competitiveness and not pushed to the back of the line of national priorities.

The Long-Term Federal Transportation Agenda

It is time to strategically plan and invest in the U.S. transportation system. Transportation infrastructure capacity is more vital than ever to the success of U.S. industries. A well-designed, interconnected transportation network with adequate capacity and efficient management has significant economic and social benefits to the nation's economy. In order to keep pace with transformations of the national and global economies, the U.S. transportation system needs to expand, modernize and adapt to the changing and growing needs for freight movement and passenger mobility. Long term underinvestment in transportation infrastructure is having an increasingly negative effect on the ability of the United States and its industries to compete in the global economy.

Congress and the administration have before them a full slate of transportation legislation that should be viewed as opportunities to create jobs and facilitate commerce, helping hasten economic recovery and keeping the U.S. globally competitive.

Aviation

The aviation system, which facilitates business travel, tourism, the movement of domestic and international goods, and national defense, is a disgrace and has been operating without a pilot for sometime now. The state of the air traffic control system is at the heart of America's aviation woes and modernization must be a national priority.

Since September 2007, the Federal Aviation Administration (FAA) has been operating without a congressionally confirmed administrator. A first priority of the administration and Congress must be to appoint and confirm a qualified administrator to oversee all aspects of civil aviation in the United States. Congress and the FAA must act to transform the U.S. aviation system to meet the expected 36 percent increase in fliers by 2015, by expediting air traffic control modernization and providing the necessary investment to increase national aviation system capacity through a multi-year federal authorization.

Freight Rail

As the cost of highway freight bottlenecks and congestion has increased, many have looked to freight rail to carry more freight to relieve truck and highway congestion and help conserve energy, reduce engine emissions, and improve safety. Shippers, too, have started looking to railroads to carry more longer-distance shipments, especially as the costs of truck fuel and labor have increased. Unfortunately, the America's freight rail system also has its capacity issues.

Ton-miles of rail freight carried over the national rail system have doubled since 1980, and the density of train traffic – measured in ton-miles per mile of track – has tripled since 1980. The railroads have had substantial surplus capacity in the rail network for many years. This excess capacity has enabled the railroads to absorb traffic growth with relatively modest additional capital commitments to expand infrastructure. However, this surplus capacity has now largely been absorbed by two decades of growth and major increases in rail traffic volumes of the past few years. The railroad industry's investment in infrastructure alone will not be enough to handle the 67 percent projected increase in freight traffic between 2000 and 2020. The administration and Congress should enact an infrastructure investment tax credit for the rail industry to help accommodate the projected increase.

Water Resources

The Chamber commends this Committee's hard work in support of the America's inland waterways through WRDA 2007. To ensure this legislation has the maximum effect and achieves its overarching policy objectives, it is imperative Congress provide money for the WRDA-authorized projects and programs in the annual appropriations process.

Despite this Committee's vital efforts on water resources legislation, there is still much work to be done to modernize the nation's ports and inland waterways. In 2006, more than half of the 240 operational Corps-funded lock chambers in the United States – which handle over 625 million tons of freight commodities valued at over $70 billion each year – were over 50 years old and had exceeded their economic design lifespan. Many locks are too small for today's larger tows and are susceptible to closures and long delays for repairs. Ensuring waterside capacity in Gulf and East Coast ports is vital to the U.S. economy and will prove even more critical with the completion of the Panama Canal expansion in 2014. This lack of maintenance and modernization is impairing the system's reliability and U.S. commerce is paying the price.

Next year, the administration and Congress can reinforce the federal government's commitment to investing in the nation's water transportation system by acting expeditiously to reauthorize WRDA. Congress and the administration should continue to work with the Army Corps to manage construction times more effectively, provide better cost estimates and lower cost overruns, quickly address the rapidly diminishing balance of the Inland Waterway Trust Fund, and fully invest the resources of the Harbor Maintenance Trust Fund in critical dredging projects.

SAFETEA-LU Reauthorization

Safe, Accountable, Flexible, Efficient Transportation Equity Act, a Legacy for Users (SAFETEA-LU), the current highway and public transportation authorizing legislation, expires on September 30, 2009. It has been widely criticized for doing little to identify or address national needs, was heavily earmarked, and essentially overobligated available funding, leaving the Highway Trust Fund broke a year before expiration.

National needs have continued to grow as construction, labor, and land costs rapidly increase, state budgets and credit markets across the county constrict, and federal revenues fall short of projections due to a drop in vehicle miles traveled. To improve federal investment and prevent cuts to the federal highways and transit programs, Congress and the administration must swiftly reauthorize SAFETEA-LU while ensuring that the federal role is defined, existing programs are reformed, wasteful spending is curbed, and federal investment in U.S. highways and transit systems is increased.

In November, the Chamber's board of directors approved a set of recommendations for Congress that have been provided here for you today. In it, the Chamber outlines high-level objectives the business community deems necessary for a successful bill. Among the highlights,

- Congress must ensure federal transportation policy, programs, and resources are oriented around national needs related to U.S. global competitiveness, international trade policies, interstate commerce, interstate passenger travel, emergency preparedness, and national defense.

Over the years, these programs have devolved into a political redistribution of federal dollars, instead of thoughtful investments benefitting the nation as a whole.

- The programs should continue to emphasize safety and maintenance efforts.

  With regard to safety, almost 42,000 people are killed each year on the nationa's highways, and approximately 15,000 traffic deaths annually are in crashes where substandard road conditions, obsolete designs, or roadside hazards are a factor, according to the U.S. Department of Transportation (DOT). This is unacceptable. The economic cost of traffic accidents in the United States is estimated to be almost $231 billion each year in added medical, insurance, and other expenses, which is about 2 percent of U.S Gross Domestic Product (GDP), according to the U.S. DOT.

- There is a clear national interest in ensuring adequate passenger mobility, particularly in large metropolitan areas. Congress should develop federal policy and programs that support congestion mitigation and improved mobility in urban areas by providing incentives for the adoption of strategies and use of technology that maximize the use of existing facilities, supporting public transportation capacity, availability and ridership strategies and highway capacity where appropriate.

  Much of America's economic activity is based in our metropolitan areas. The 100 largest metropolitan regions in the United States account for just 12 percent of the land area but contain 65 percent of the population, 69 percent of all jobs, and 70 percent of the nation's GDP. The largest 100 metropolitan areas also serve the majority of our transportation activity, handling 72 percent of all foreign seaport tonnage, 79 percent of all U.S. air cargo tonnage, 92 percent of all air passenger boardings, and 95 percent of all public transit passenger miles traveled.

- While the U.S. population is increasingly shifting away from rural areas into massive "megaregions," ensuring rural connectivity is a vital to the national interest. The majority of the United States' natural and agricultural resources are located in rural areas. Further, smaller communities must build and maintain the full range of infrastructure regardless of population size.

  Congress should ensure improved rural connectivity by providing federal investment in small communities and rural areas to support connectivity to major economic and population centers.

- Congress should develop a comprehensive freight program to ensure adequate capacity, reduce congestion, and increase throughput at key highway, rail, waterway, and intermodal choke points.

  The growth in international trade is overwhelming U.S. intermodal freight capacity. In the next 30 years, domestic freight volume is forecast to double and international freight volume entering U.S. ports may quadruple, according to the American Association of State Highway and Transportation Officials (AASHTO). Transportation bottlenecks at America's major ports, gateways, and trade corridors have significant economic, environmental and energy implications. The federal government currently does not have a comprehensive plan to accommodate existing and forecast freight flow.

- Given the transportation sector contributes roughly a third of all carbon emissions and is responsible for the consumption of two-thirds of the nation's petroleum resources, any climate change legislation is liable to have significant down-stream ramifications for transportation users.

  The Chamber encourages Congress to consider the preservation of American jobs and the competitiveness of U.S. industry when devising policy. Furthermore, any approach to climate change should be international in scope, should promote the accelerated development and deployment of greenhouse gas reduction technology, should reduce barriers to developing climate-friendly energy sources, and should encourage energy conservation and efficiency.

- As the National Surface Transportation Policy & Revenue Study Commission pointed out in their report last year, under current law, there are 108 transportation programs catering to a wide range of interests. The proliferation of federal program categories encourages increased stove-piping and makes it increasingly difficult to advance overarching objectives and diminishes the effective allocation of resources.

  The Chamber recommends that Congress reorganize and consolidate the federal programs around specific, overarching national objectives to ensure that planning is more comprehensive and projects reflect the federal role.

- The Chamber also believes that Congress and the administration can do a great deal more to streamline project delivery. According to the Federal Highway Administration (FHWA), major highway projects take on average about 13 years to get from project initiation to completion while project development activities under the Federal Transit Administration's (FTA) New Starts program average more than 10 years. Delayed project delivery creates inefficiencies across the systems, translates into increased project costs, and can undermine finance plans.

Congress should also work to expedite project delivery by looking at efforts like the I-35W Bridge reconstruction in Minnesota, which took just over a year from start to finish, as a model.

- The federal government should continue to support research, development, and application of improved technologies that improve infrastructure design, construction, maintenance, financing, and operations, and increase safety and enhance the environmental sustainability of the U.S. highway and public transportation systems.

- Finally, with regard to funding and financing, it is time Congress started to acknowledge that these programs are running on fumes. Both the highway and transit accounts are evaporating and Congress will soon be faced with a choice: to cut federal programs and investment by as much as 50 percent or find more revenue to support these efforts.

- Given the federal government currently provides for roughly 45 percent of all highway and public transportation investments in the United States, it is the Chamber's recommendation that you raise more revenue and better leverage federal dollars by encouraging project financing and delivery approaches that attract private investment.

  The full weight of the Chamber will come behind an effort to increase user fees to provide the revenue our transportation infrastructure badly needs, if Congress can develop legislation that realistically achieves the following:

  - A refined federal role, oriented to achieve national interests.
  - Significant program reform emphasizing performance management and accountability to ensure that costs are minimized and benefits are maximized.
  - Improvement in the integrity of user fees by limiting earmarks and non-transportation spending.
  - New opportunities to access private sector funding sources.
  - The establishment of a road map for a sustainable revenue model.

What the Chamber Will Do

The Chamber's efforts on highway and public transportation issues are spearheaded by the Americans for Transportation Mobility (ATM) Coalition, which I chair. The Coalition is a dynamic group representing businesses, labor groups, public transportation providers, and construction stakeholders throughout the country. To support your efforts to tackle these challenging issues and provide the funding levels needed to support our infrastructure, the Coalition launched the *FasterBetterSafer* Campaign last year. The Campaign's goal is to demonstrate the groundswell of public support for repairing, rebuilding, and revitalizing America's aging transportation system. The Coalition has hosted events all over the country to educate the American public and your constituents about these critical issues and are empowering our growing grassroots network to help make transportation a national priority.

Many of the communities we visit with already have a good grasp of the problems and are ready and willing to start being a part of the solution. Between the businesses who rely on complex logistics systems to move their goods and public transportation networks to bring their employees to and from work, and the laborers, contractors, engineers, materials providers, there is considerable support for improved and increased federal investment in the United States' transportation network.

The ATM and the Chamber will continue to build these networks to ensure you have all the support you need to move legislation that will make a difference.

Conclusion

Mr. Chairman, Mr. Ranking Member, and members of the Committee, I hope you will consider the business community's strong interest in repairing, rebuilding, and revitalizing the nation's transportation infrastructure as you develop an economic recovery package and move on to the larger, more complicated slate of programs up for reauthorization this year.

The Chamber will continue to educate and mobilize the American people to support your efforts and demonstrate that there is an appetite for increased investment at the federal level.

The United States is in bad need of an economic recovery package and the Chamber believes investments in transportation infrastructure can provide immediate job creation and lasting economic benefits.

But do not stop there. If you do, these initial efforts will be all for naught, and all the energy and attention that has been given to these issues over the last few months will have been squandered.

Transportation may not be the flashiest policy area the government deals with, but it is one of the most important. If we fail to make this a national priority and invest the time, energy, and money our systems need, we will miss an opportunity to fuel economic recovery and solidify our competitive position in the world.

Thank you very much for the opportunity to be here today.

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Enclosure

U.S. Chamber of Commerce Recommendations to Congress Regarding SAFETEA-LU Reauthorization

Defining the National Interest and the Federal Role

- The U.S. Chamber of Commerce believes that federal transportation policy, programs, and resources should support U.S. global competitiveness, international trade policies, interstate commerce, interstate passenger travel, emergency preparedness, and national defense, which are compelling national interests.

Policy Objectives

Therefore, the federal government bears significant responsibility to ensure that efforts advancing the following policy objectives are prioritized and funded.

Modernization and Maintenance

- Highway, transit, and intermodal assets identified as being in the national interest should be brought into a state of good repair and modernized. Congress should outline a comprehensive plan involving federal, state, local, and private stakeholders to
    - define and identify highways, transit, and intermodal assets in the national interest,
    - establish performance measures to guide government investment, and
    - incorporate technology and safety upgrades, including open standards-based information technology, into modernization, maintenance and preservation activities to the greatest extent possible.

Safety

- The U.S. Chamber supports a continued federal role in ensuring a comprehensive, results-oriented approach to safety through national safety goals, performance metrics, and complementary plans to guide investment.

- Incentives should be provided for applying best practices and advanced safety technologies and equipment.

Freight Mobility

- A national freight transportation program for identifying and funding federal, state, and metropolitan efforts to ensure adequate capacity, reduce congestion and increase throughput at key highway, rail, waterway and intermodal choke points is needed.

- The program should include a national freight transportation plan built on performance measures and should include a comprehensive survey of key freight corridors and other assets.

- A national freight transportation plan should incorporate the development of new capacity, access routes to major water ports and airports, access routes to border crossings and international gateways, operational strategies to improve utilization of existing assets, and strategic intermodal investments to expedite freight movement.

- The plan should guide government project selection and prioritization.

- The program should not dilute other federal transportation priorities.

Urban Mobility

- Federal policy and programs should support congestion mitigation and improved mobility in urban areas by

    - providing incentives for the adoption of strategies and use of technology that maximize the use of existing facilities,

    - supporting public transportation capacity, availability and ridership strategies where appropriate, and

    - supporting increased highway capacity where appropriate.

Rural Connectivity

- Federal investment in small communities and rural areas should primarily support connectivity to major economic and population centers.

- Investment should be guided by national connectivity goals, population density thresholds, and standardized measures of access.

Environment and Energy

- Our country's energy goals will only be met by a commitment to technology innovation and to *all* types of available energy sources.

- Climate change policy choices have major economic consequences and should not be made without adequate opportunity for debate by lawmakers. Any and all policy decisions relating to the control or reduction of greenhouse gas emissions should be based on a complete understanding of scientific, economic, and social consequences, in order to ensure balanced industrial growth, economic progress, high-quality living standards, and a healthy environment.

- Any and all climate change policy decisions must
    - preserve American jobs and the competitiveness of U.S. industry,
    - provide an international, economy-wide solution, which includes developing nations,
    - promote accelerated development and deployment of greenhouse gas reduction technology,
    - reduce barriers to developing climate-friendly energy sources, and
    - promote energy conservation and efficiency.

- The voluntary use of all forms of public transportation that can be demonstrated to be energy efficient and cost-effective should be encouraged in a way that does not restrict individual choice among competing transportation modes.

- Strategies for improving air quality in regions of the country that do not meet federal standards (e.g., NAAQS nonattainment for a criteria pollutant) must recognize the importance of technological innovation and modernization of the economic base in achieving environmental quality, and must not place an undue burden on economic development.

Methodology

Program Consolidation and Accountability

- Federal programs should be reorganized and consolidated around specific, overarching national objectives to ensure that planning is more comprehensive and projects reflect the federal role.

- Project approval and funding should be linked to economic benefits and performance-based outcomes.

- Performance-based outcomes should be achievable and cost-effective for consumers and economically practical and feasible for industry.

- States and localities should be allowed to pursue solutions that work best locally to meet their unique transportation needs. If those solutions are implemented with federal funding, they should measurably contribute to addressing national interests.

Research and Development

- The federal government should support research, development, and application of improved technologies that
  - improve infrastructure design, construction, maintenance, financing, and operations, and
  - increase safety and enhance the environmental sustainability of the U.S. highway and public transportation systems.

Project Delivery

- The federal government should improve and make consistent the project review and approval process for all modal investments to ensure the completion of transportation infrastructure improvements in a timely and environmentally sound manner.

- The federal government must shorten the time it takes to complete environmental reviews and must support other measures to speed project delivery once they clear environmental review.

- The federal government should encourage private sector involvement to help expedite project delivery.

- Life cycle costs should be utilized in federal-aid projects where appropriate.

Funding

Federal Funding Levels

- Funding levels should be directly tied to fulfilling the federal responsibility in meeting the national interest.
- Current revenue streams are not sufficient to maintain federal-aid highway and transit programs at existing service levels, nor will they be sufficient to meet projected future highway and transit needs.
- Additional revenues are required, and the U.S. Chamber will evaluate funding levels in relation to proposed policies and programs that support the national interest and reflect an appropriate federal role.

Federal Revenue Principles

- A user fee-based trust fund, protected by budgetary firewalls, should be the backbone of federal highway and public transportation investment.

- Funding guarantees, which provide support for stable, long-term capital planning, should be maintained. General funds supporting transit programs should be guaranteed.

- Unobligated revenues should not be allowed to accumulate in the Highway Trust Fund beyond amounts necessary to meet cash flow requirements.

- Revenue mechanisms should be structured to ensure that the purchasing power of revenue sources keeps pace with inflation.

- Congress should develop a road map for a sustainable revenue model that maintains an equitable distribution across all system users, provides adequate and predictable revenue, and is administrable with minimal overhead.

- Funding allocations from the Highway Trust Fund should be strictly assigned only to transportation purposes.

Private Investment and Financing

- The federal government should encourage project financing and delivery approaches that attract private investment.

- The federal government should expand its role as a financing partner and a lender of last resort.

- Congress should lift the cap on private activity bonds for highway and transit infrastructure.

Earmark Reform

- Earmarks can undermine the integrity of federal transportation programs and should be limited if they

    - are not related to, or are only tangentially related to, transportation infrastructure,

    - do not address the goals of federal transportation policy, and

    - have limited or no national benefit.

- Any funds earmarked for specific projects in the next authorization should be obligated during the authorization period.

Conditions for Chamber Support of Increased User Fees

- The U.S. Chamber would support an increase in user fees if Congress advances a reauthorization bill that realistically achieves the following:
  - A refined federal role, oriented to achieve national interests.
  - Significant program reform emphasizing performance management and accountability to ensure that costs are minimized and benefits are maximized.
  - Improvement in the integrity of user fees by limiting earmarks and non-transportation spending.
  - New opportunities to access private sector funding sources.
  - The establishment of a road map for a sustainable revenue model.